



Capital Outlay

<http://dor.sd.gov/> 1-800-829-9188 (Option 2)

The purpose of this document is to provide a general overview of the property tax impact on South Dakota school's Capital Outlay Fund. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

June 2019

School Funds

School district funds are all moneys received from federal, state or other local government sources, taxes, income from school property, borrowing sources, and other sources. ([SDCL 13-16-1](#))

The moneys received are deposited into three major types of school district funds. A school district may have additional funds as well.

- General Fund ([SDCL 13-16-3](#))
- Capital Outlay Fund ([SDCL 13-16-6](#))
- Special Education Fund ([SDCL 13-37-2](#))

This document will focus specifically on the Capital Outlay Fund and how money for this fund is generated.

Capital Outlay Fund Defined

South Dakota state law ([SDCL 13-16-7](#)) allows a school district to authorize an annual tax levy up to \$3.00 per \$1,000 of taxable valuation for capital outlay fund purposes. This tax levy is the same for all land classes.

The capital outlay fund of the school district is a fund for expenditures such as land, existing facilities, improvement of grounds or equipment, and construction, additions, or remodeling of facilities.

The fund may also be used for:

- Installment or lease-purchase payments for the purchase of real property, plant, or equipment;
- Student transportation;
- Textbooks and instructional software; and
- Warranties on capital assets.

If you have any questions about a school district's capital outlay budget, contact the school district administrator or business official.

A school district may transfer from its capital outlay fund to its general fund no more than 45% of the total tax revenues deposited into the capital outlay fund during the current school fiscal year. ([SDCL 13-16-6](#))

Capital Outlay Limitations Defined

Growth + CPI (Consumer Price Index) Limitation ([SDCL 13-16-7](#))

Currently, all school districts follow the Growth + CPI Limitation. The Growth + CPI Limitation is the total amount of revenue payable from the capital outlay levy cannot increase annually more than the index factor plus growth factor.

- Index factor is defined as 3% or the CPI factor, whichever is less. ([SDCL 10-13-38](#))
- Growth factor is defined as any new construction which has occurred in the last year within the school district boundaries.

All limitation calculations are based upon the maximum taxes allowable, not actual tax dollars requested.

Regardless of which limitation applies, a school district may never exceed a \$3.00 capital outlay levy.

School districts created or reorganized are exempt from the annual limitation for two years after creation.

Alternative Per Student Limitation ([SDCL 13-16-7.2](#))

Starting with taxes payable in 2021 (assessed 2020), a secondary limitation possibility will be implemented. The Alternative Per Student Limitation will provide \$2,800 for each enrolled student from the previous school year.

Determining the Appropriate Capital Outlay Annual Limitation

Starting with taxes payable in 2021 (assessed 2020), a school district will be limited to the maximum taxes allowed by either the Growth + CPI Limitation or the Alternative Per Student Limitation, whichever is less.

At that time, the school district and the Department of Revenue will analyze the data and calculations:

- **If the school district has acquired capital outlay debt prior to July 1, 2016**, they can ask for the debt payment ([SDCL 13-16-6.2](#)) plus an additional \$2,800 per student.
- **If the school district does not have capital outlay debt prior to July 1, 2016**, then it must use whichever limitation generates less tax dollars — the Growth + CPI Limitation or the Alternative Per Student Limitation:
 - ⇒ If the lesser is the Growth + CPI Limitation, then the dollar amount will continue to increase by both growth and CPI factors.
 - ⇒ If the lesser is the Alternative Per Student Limitation, then the school district will be able to ask for \$2,800 per student. Each year after taxes payable in 2021, that \$2,800 will increase by the CPI factor only.

Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue**.

Call toll-free: 1-800-829-9188 (option 2)

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